

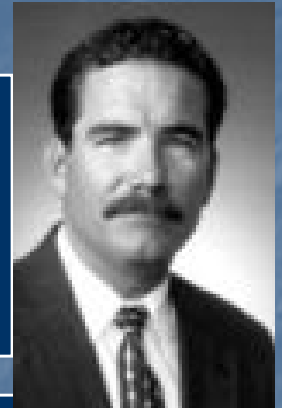
FY 2008-09
Budget Status Update

October 14, 2008

Unprecedented Economic Slowdown and Fiscal Disarray

“In passing the most fiscally irresponsible budget in state history, the Legislature and governor aggravated the state’s fiscal crisis in a stunning fashion.”

– Kevin McCarthy, President, ATRA



“Housing markets are in the most severe downturn since World War II, and Arizona is one of the hardest-hit states.”

“In Arizona, real retail sales have been declining since December 2006 and have fallen 9.5%!”

– Marshall Vest, Univ. of Arizona

“Retail sales are negative. And they rarely turn negative other than during periods of recession. They are way negative in Arizona, down like ten percent, which is unheard of. There is no historic precedence for this.”

– Elliott D. Pollack



Financial Meltdown: One Day in the News . . .

Consumer bankruptcy filings up 29% in Sept.

Stocks end lower amid
worries about economy

Arizona treasurer says
cash flow OK for now

Congress OKs historic bailout bill; Bush signs it

Paulson pledges quick
action on rescue program

Families grappling with higher
food costs

Bailout not a panacea
for housing market

State Budget Problems – Ongoing Threat

- Enacted State budget included a General Fund structural deficit JLBC is now stating 2009 structural deficit \$2.0 billion to \$2.4 billion
- Per JLBC, FY 2010 structural deficit could be as high as \$2.6 billion
- State revenues estimated down \$300 million through September
- State “rainy day fund” nearly gone – only \$98 million left
- Legislature expected to re-convene after election; **more county cost shifts very likely**

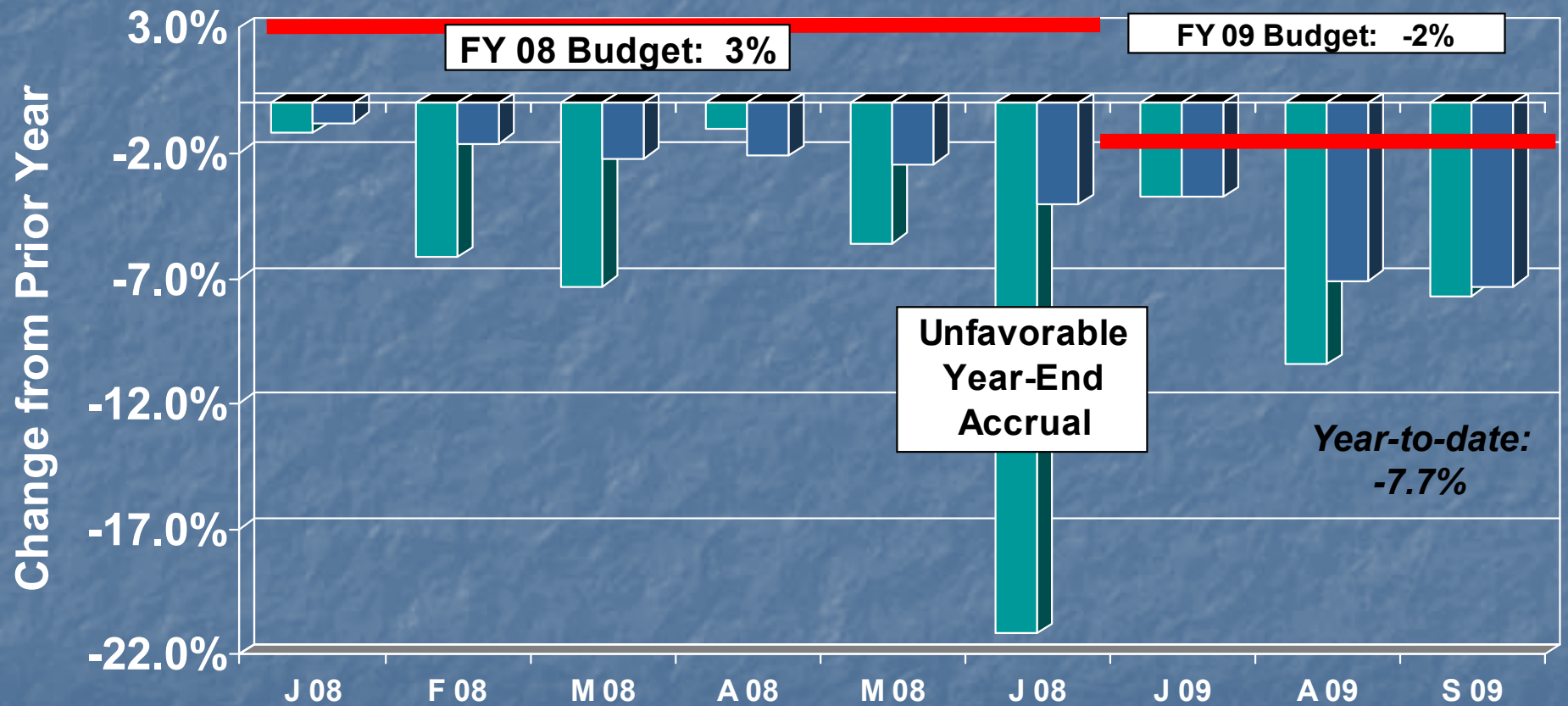
Lower Revenue Forecasts

	FY 08		FY 09	
	April Forecast	Actual	Adopted Budget	Oct. Forecast*
Sales Tax	-2.5%	-4.0%	-2.0%	-8.2%
VLT	-2.0%	-2.9%	-2.0%	-10.0%
Jail Tax	-3.0%	-5.0%	-2.0%	-8.6%

**Quarterly “worst case” by EDP; Marshall Vest “worst case” is -10%; at this level, the budget deficit is over \$70 million.*

Sales Tax

Change Over Prior Year – 9 Month Trend



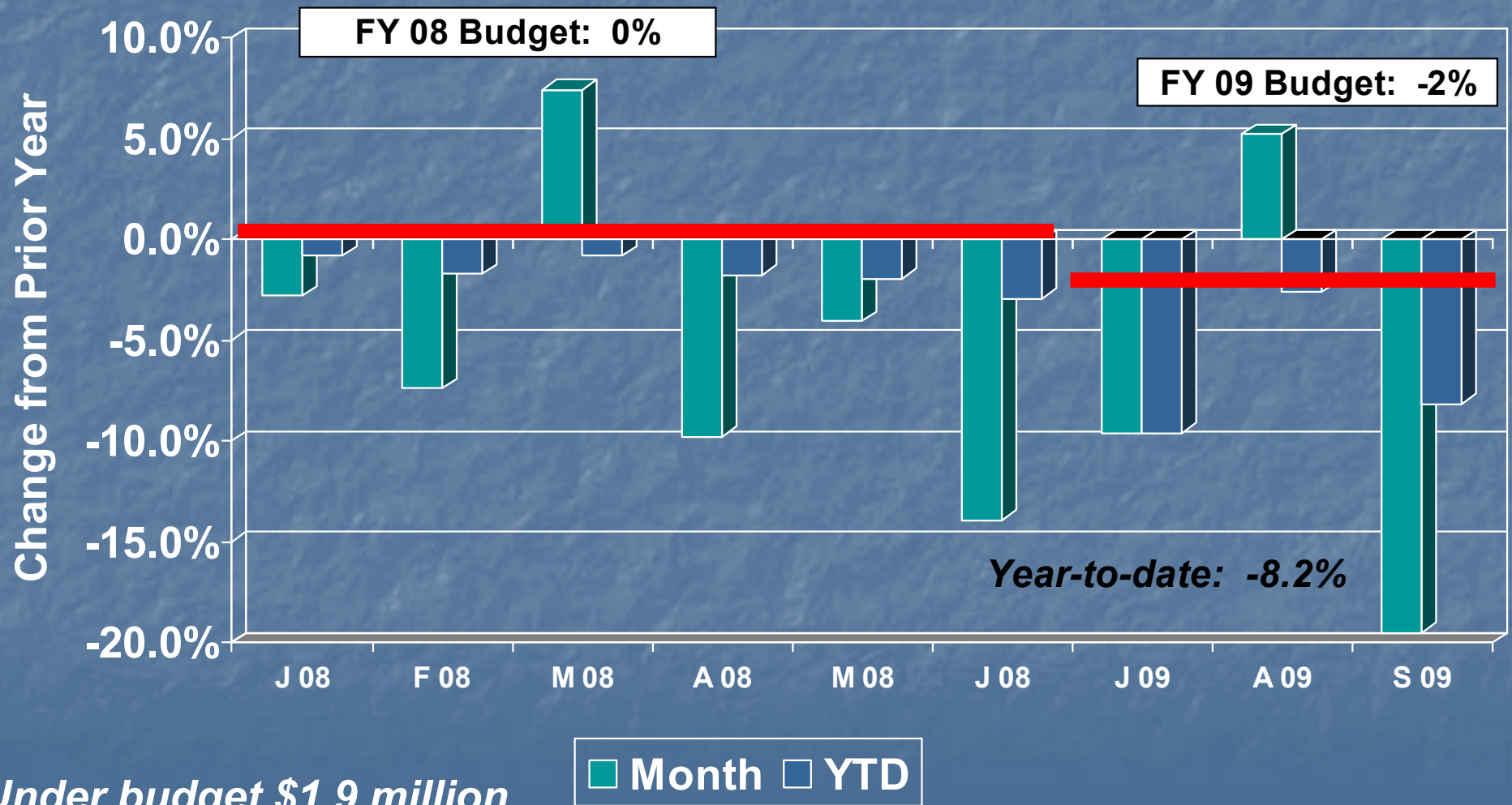
**Revenues Under budget
\$5.7 million YTD through
September**

Month YTD

**YTD Revenue Growth
Rate: -3.75%**

Vehicle License Tax

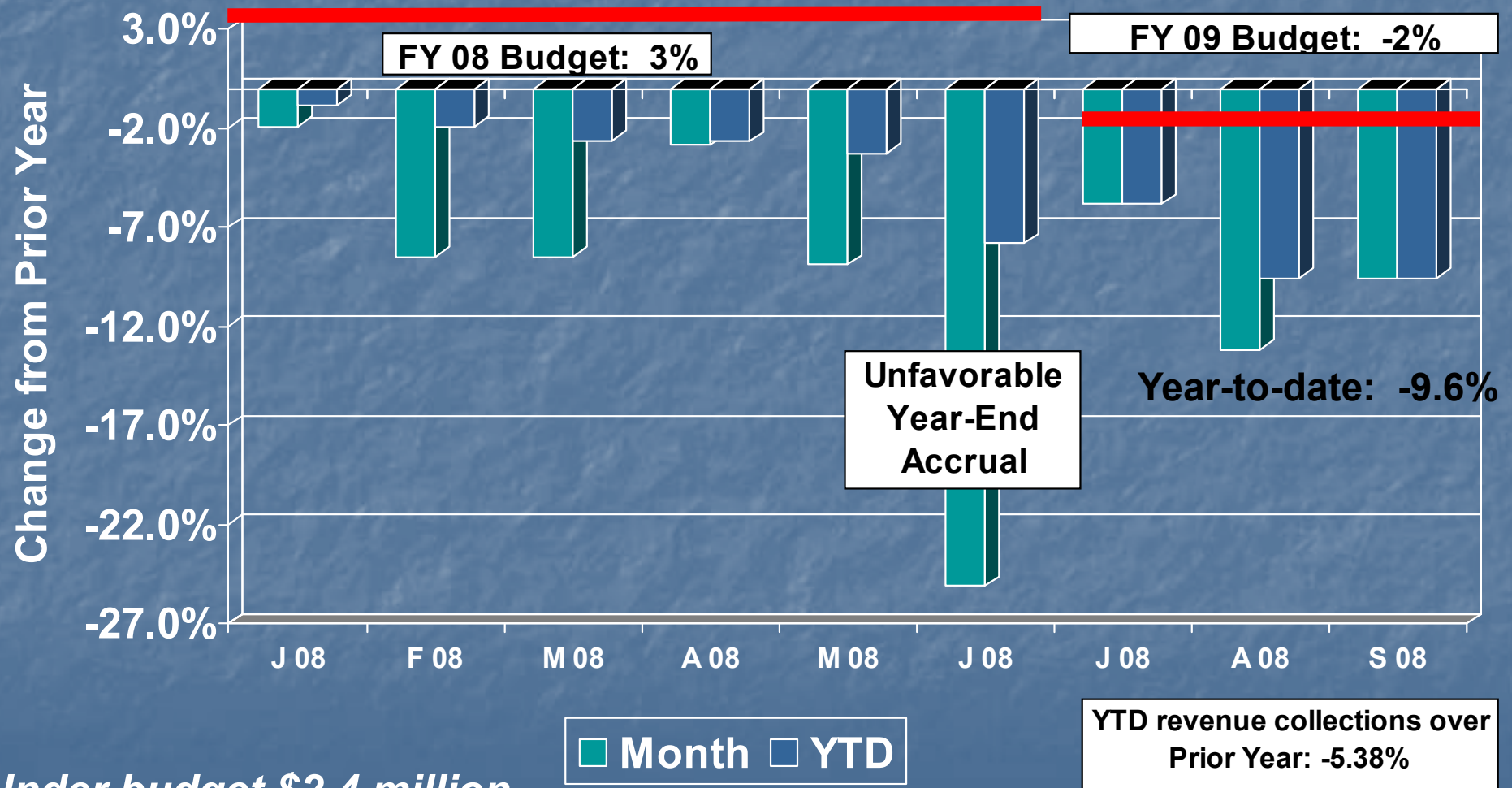
Change Over Prior Year – 9 Month Trend



*Under budget \$1.9 million
YTD through September*

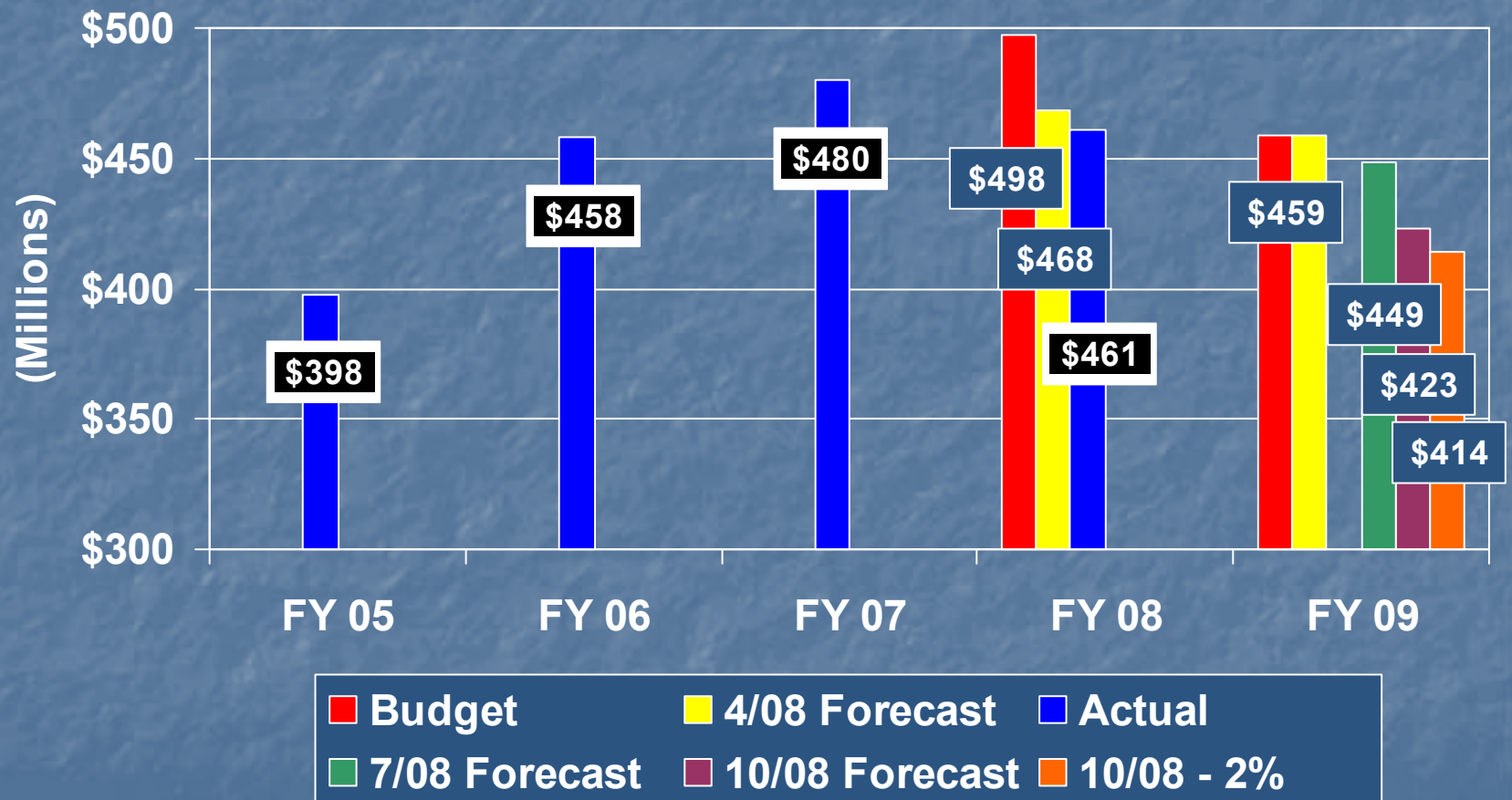
Jail Excise Tax

Change Over Prior Year – 9 Month Trend



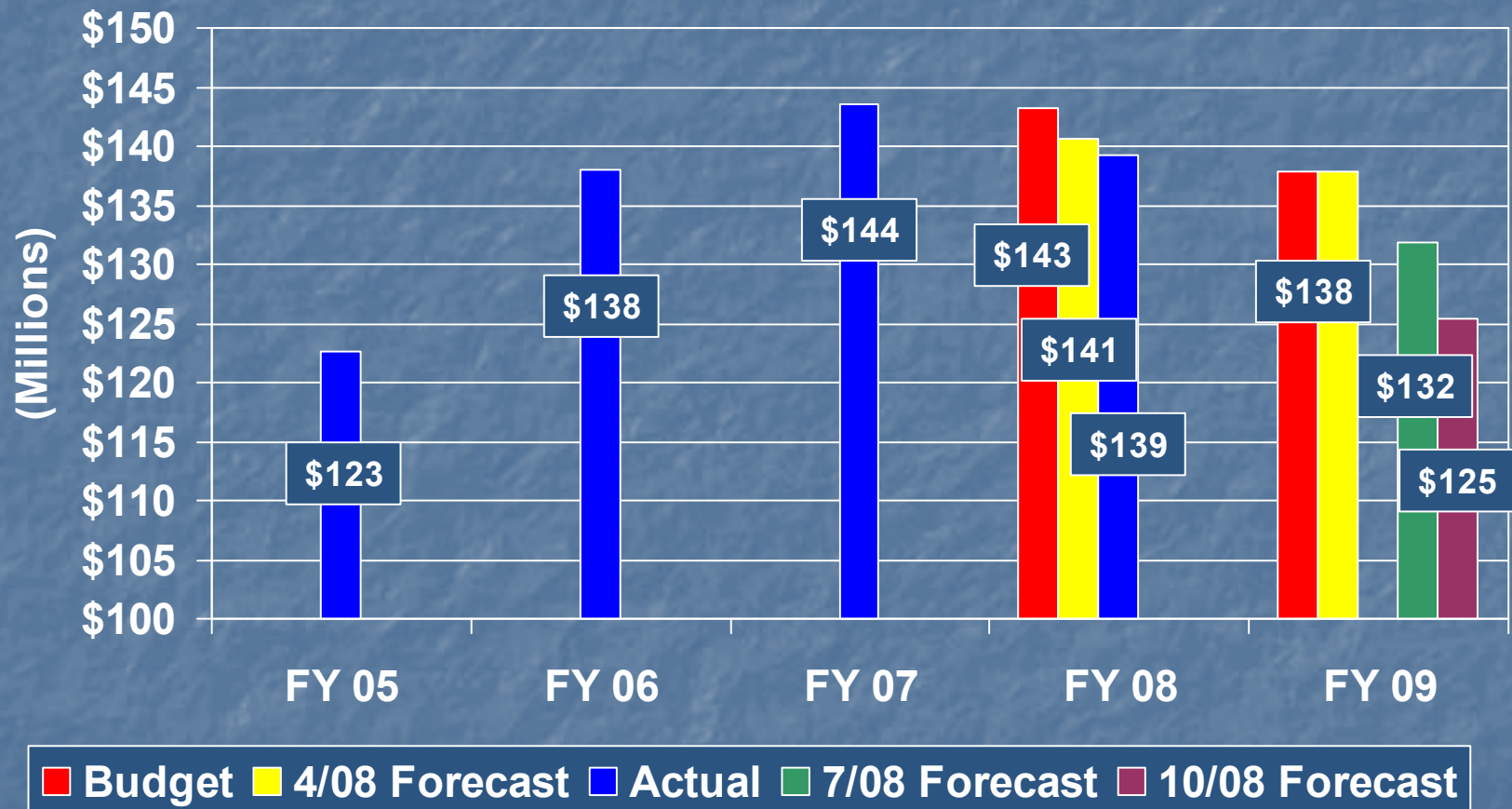
*Under budget \$2.4 million
YTD through September*

Sales Tax



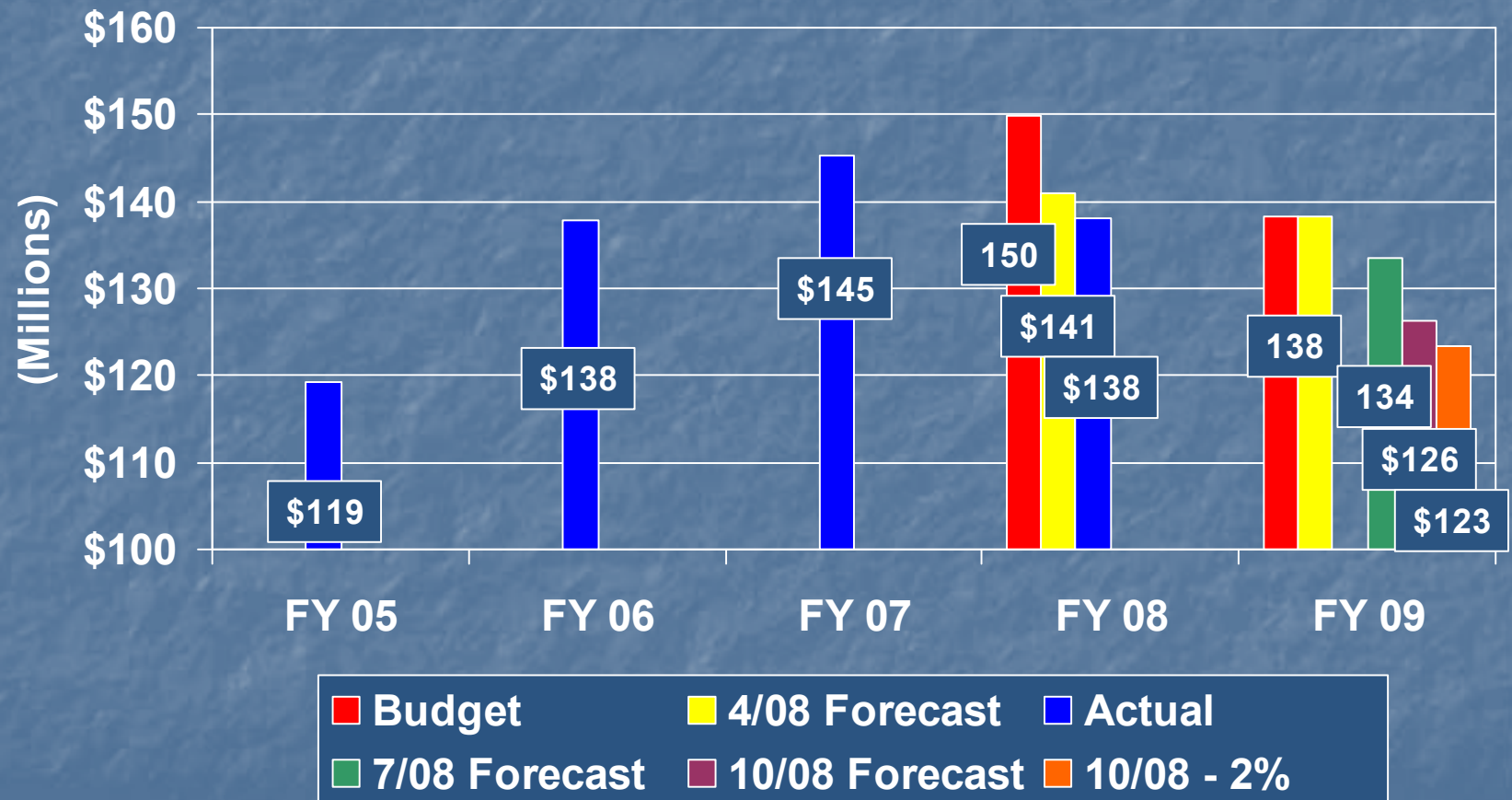
7.3% under YTD, \$10.3 million under budget for FY 2009

Vehicle License Tax



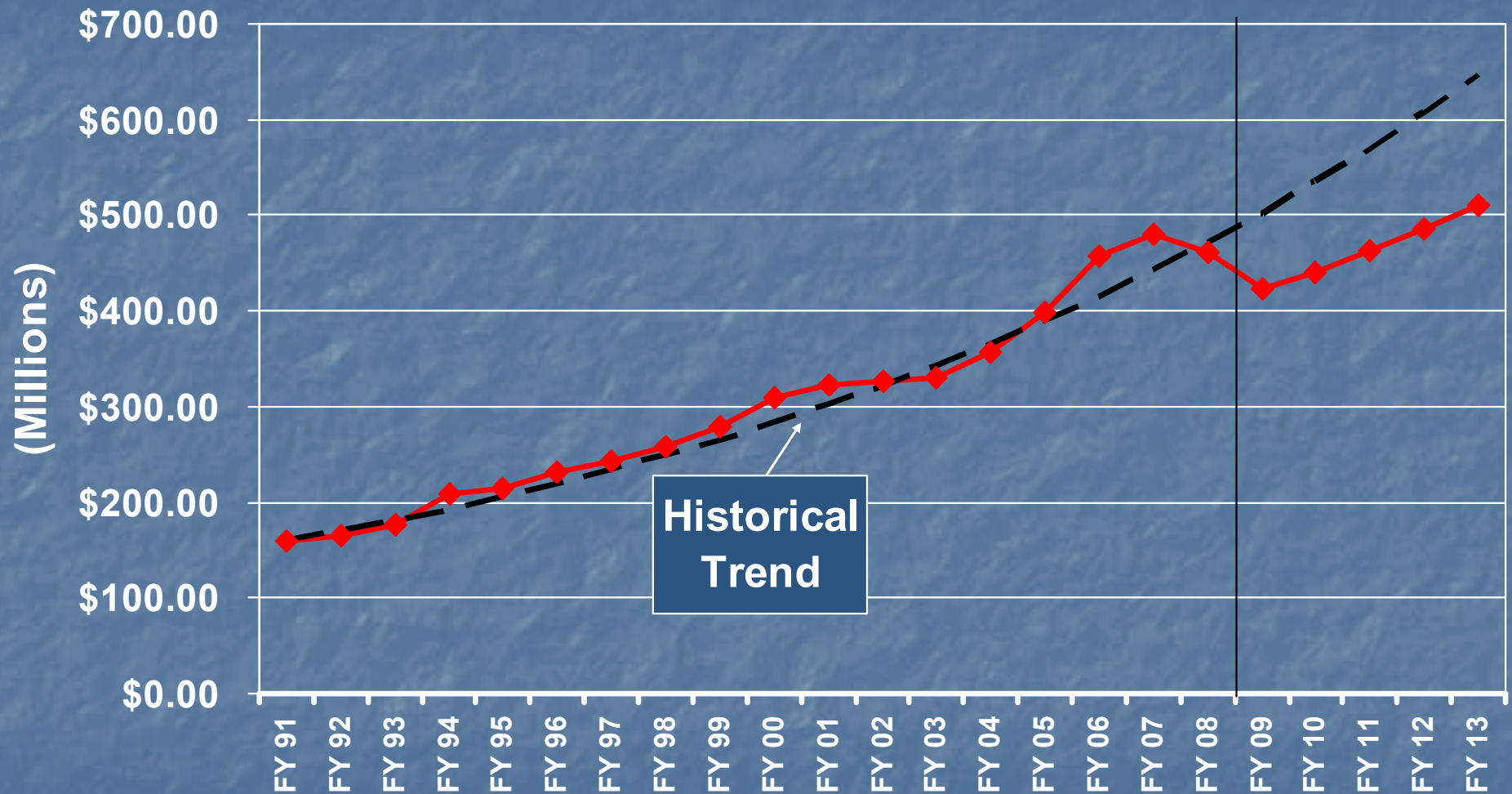
8.2% under YTD, \$6.0 million under budget for FY 2009

Jail Excise Tax



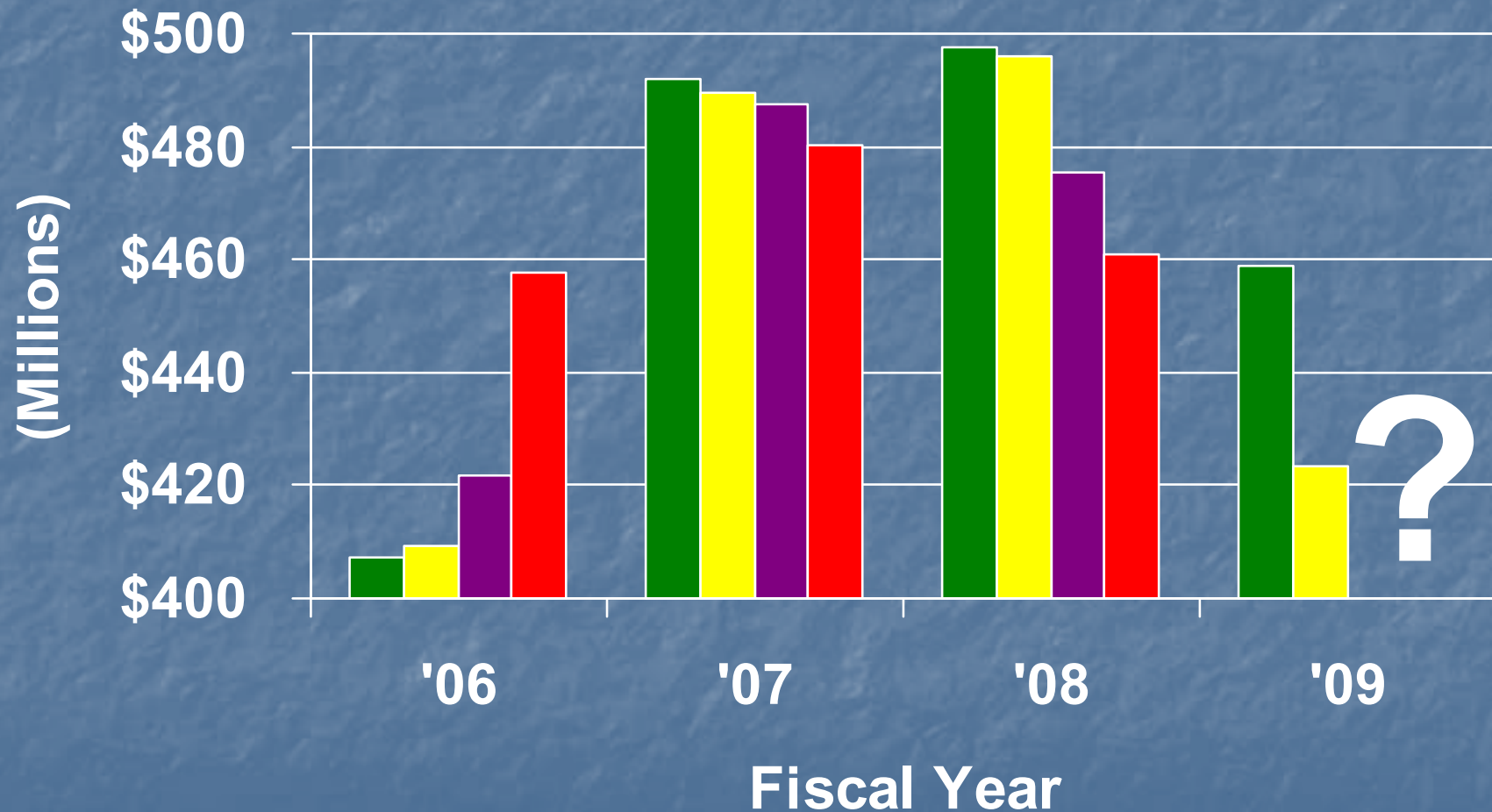
9.6% under YTD, \$4.6 million under budget for FY 2009

Sales: Annual Collections



To date, FY 2009 has seen largest declines ever recorded

Sales Tax – Actual Revenues Will Miss Pessimistic Forecast for Third Year

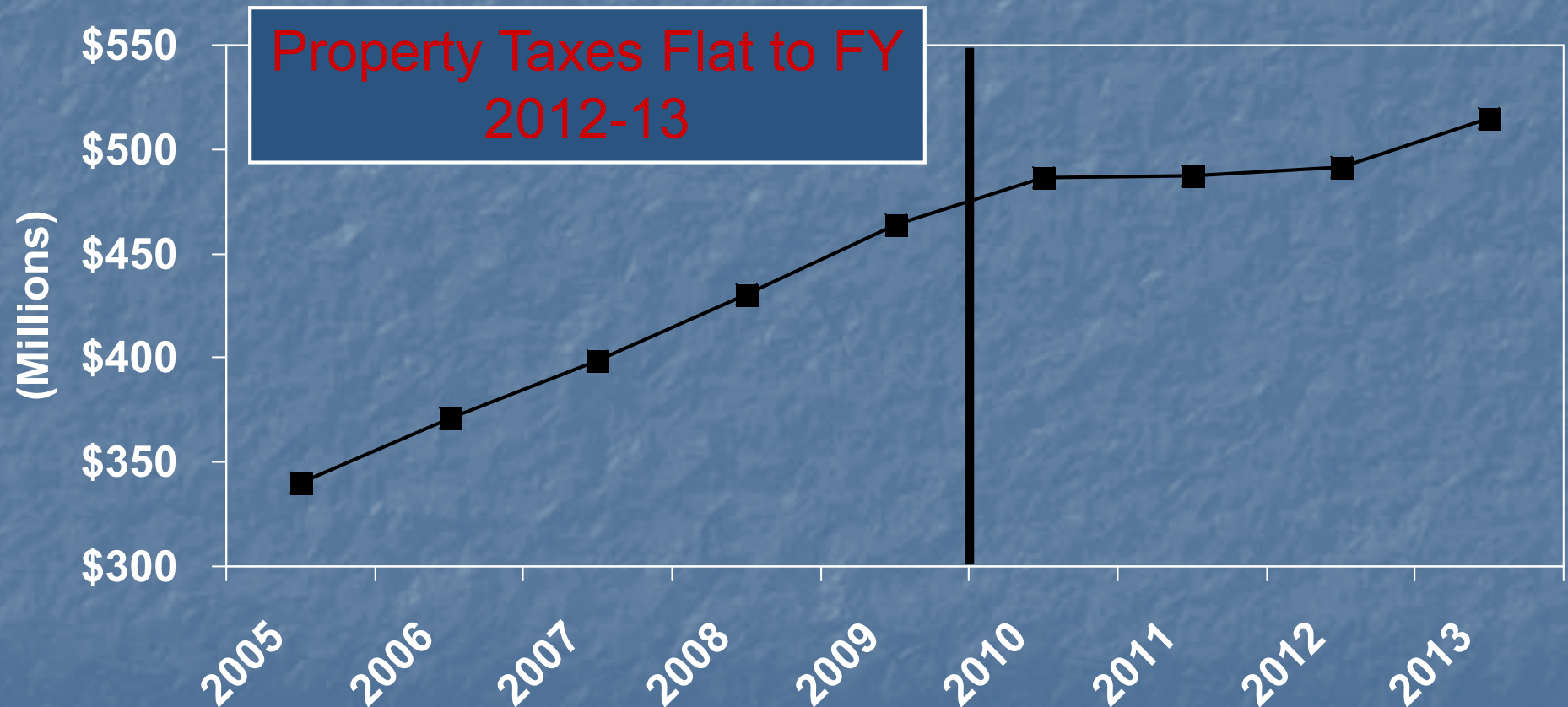


■ April (Budget) ■ October ■ January ■ Actual

Primary Property Tax Levy - **Pessimistic** Forecast

Fiscals Year 2000 – 2012

Source: Elliott D. Pollack and Company



* 2009 – 2012 forecasts from Elliott D. Pollack & Company

FY 2009 Forecasted Imbalance

- Based on today's estimates, County's budget imbalance could be more than \$70 million – nearly 10% of the General Fund discretionary budget
- Forecast is subject to change – perhaps dramatic - due to highly volatile national and local economic situation
- Forecast does not include potential hits from the State

Balancing the Budget

- \$70 million is the equivalent of:
 - 1,082 FTE's at an average salary of \$56,700
 - Sheriff's Office General Fund (\$73 M)
 - County Attorney's Office General Fund (\$63 M)
 - Indigent Rep's General Fund (\$76 M)
 - 1/2 of the Judicial Branch General Fund
 - Adult Probation: \$61 M
 - Juvenile Probation: \$17 M
 - Superior Court: \$70 M

General Fund: Discretionary vs. Fixed Contributions

FY 2009 Adopted Budget	\$ 1,170,572,505
------------------------	------------------

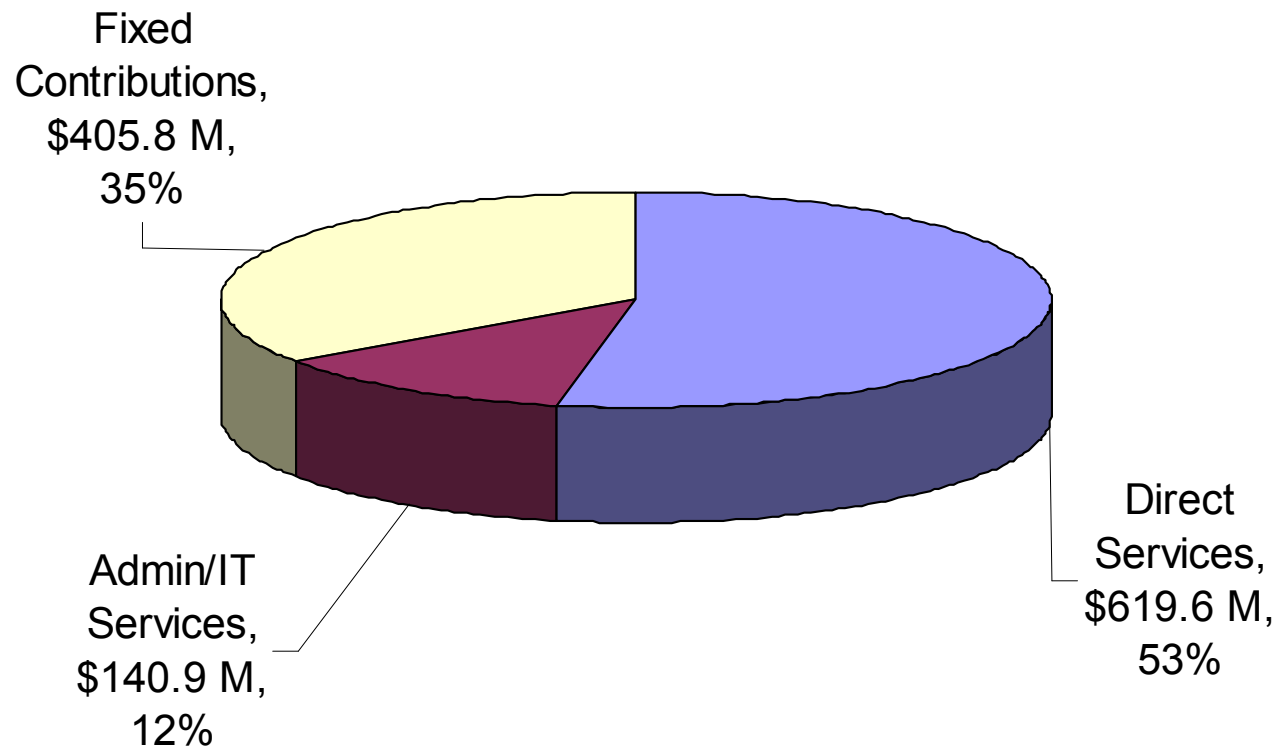
FY 2009 Fixed Contributions

AHCCCS	\$ (21,552,700)
ALTCS	(162,118,900)
Elected/Judge Salaries	(16,135,922)
Jail Tax MOE	(170,081,831)
Arnold V. Sarn	(35,900,000)
Total Fixed Contributions	\$ (405,789,353)

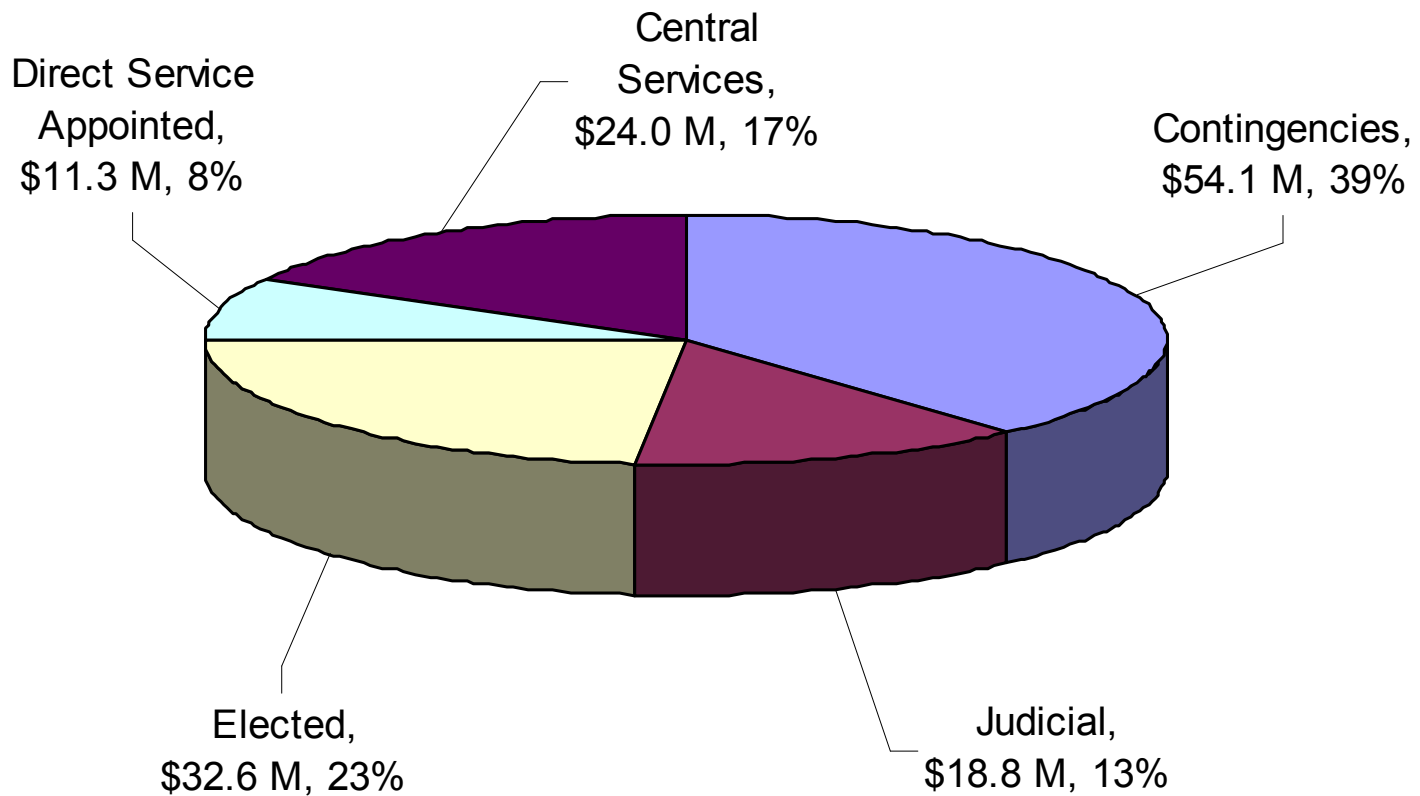
FY 2009 Discretionary Budget	\$ 764,783,152
------------------------------	----------------

A 1% decline in revenues requires a \$11.7 million or 1.5% decline in the discretionary budget.

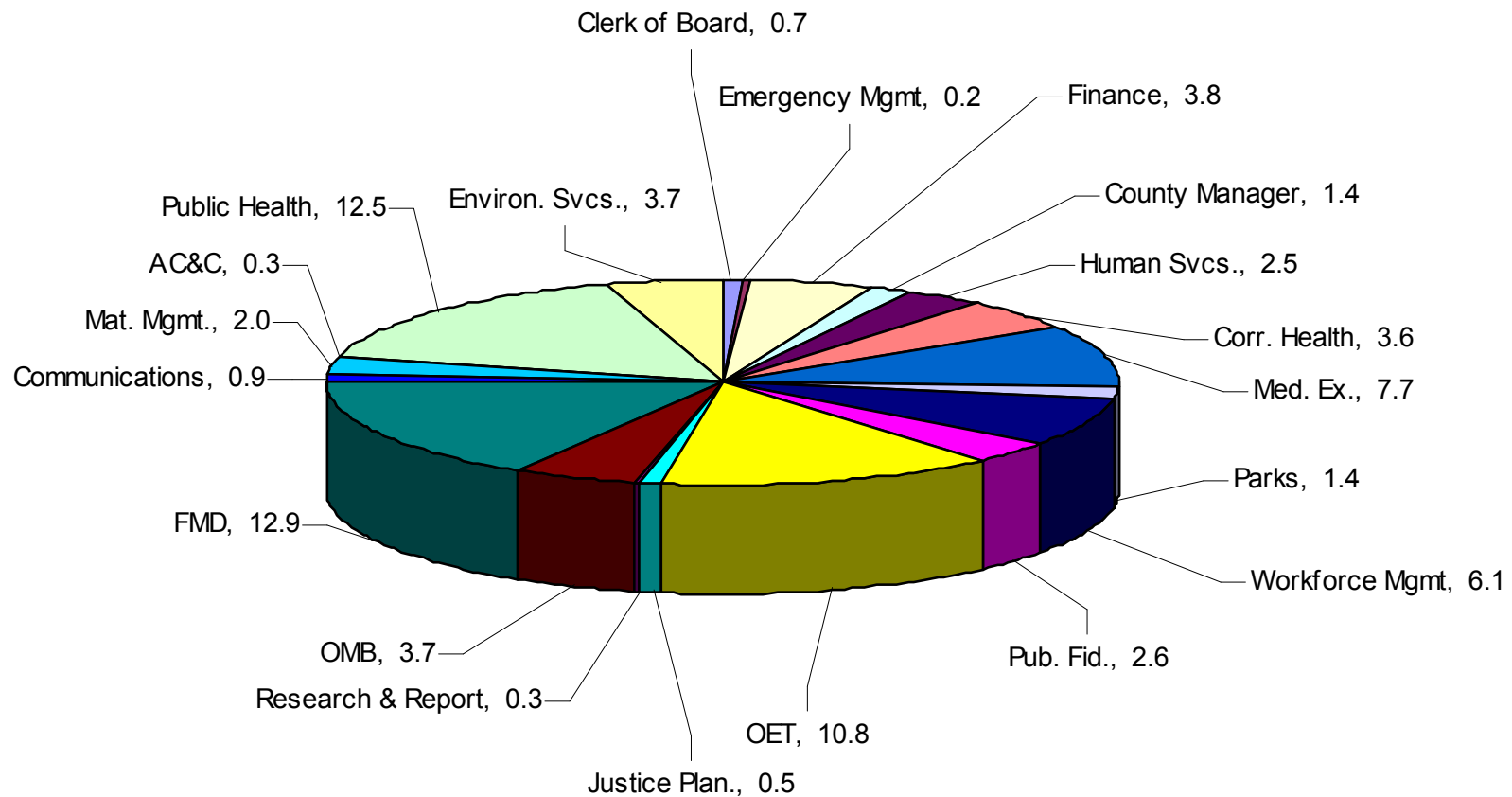
General Fund Operating Expenditures



General Fund Admin/IT Operating Expenditures



All Appointed Offices: \$77.9 M General Fund



Less: Indigent Rep, Health Care Programs, and Non-Departmental

Conclusion

- We have not hit the bottom
- We don't know where the bottom is
- We are in better shape than others however we are still in bad shape
- We need to make structural changes **NOW**
- Budget Reduction Recommendations will be coming in November



Office of Management & Budget